

## Message Text

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PAGE 01 TAIPEI 06934 181101Z  
ACTION EA-12

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FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC IMMEDIATE 5564  
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C O N F I D E N T I A L TAIPEI 6934

USDOC FOR STR

STATE FOR EA/ROC

E.O. 11652: GDS  
TAGS: ETRD, TW, US  
SUBJECT: U.S. TEXTILE NEGOTIATIONS WITH TAIWAN

1. I WAS CALLED ON TODAY AT NOON BY H. K. SHAO, DEPUTY DIRECTOR-GENERAL OF BOARD OF FOREIGN TRADE WHO CAME AT SPECIFIC INSTRUCTIONS MIN. SUN (WHO IS IN KAOHSIUNG) TO EXPRESS HIS GOVERNMENT'S SERIOUS CONCERN OVER WHAT HE DESCRIBED AS A LAST-MINUTE DEMAND MADE BY

THE U.S. SIDE IN THE TEXTILE NEGOTIATIONS WHICH BEGAN THIS LAST MONDAY IN WASHINGTON. ACCORDING TO SHAO, AT BREAKFAST MEETING YESTERDAY (NOV. 17) BETWEEN CHIEF NEGOTIATORS OF BOTH SIDES, RICHARD SMITH OF STR PROPOSED TO Y. T. WONG, VICE MINISTER OF ECONOMIC AFFAIRS, THAT 1978 IMPORT LEVELS OF CERTAIN ITEMS BE REDUCED BY 8 PERCENT AND THEN EXPERIENCE 5 YEAR GROWTH ACCORDING TO KOREAN FORMULA, OR ALTERNATIVELY PRESENT LEVEL OF IMPORTS BE CONTINUED DURING 1978 WITH NO GROWTH ALLOWED FOR SECOND THROUGH FIFTH YEARS OF THE AGREEMENT. IN THE EVENT THE ROC FAILED TO ACCEPT EITHER OF THESE ALTERNATIVES BY THIS WEEKEND, THE U.S. NEGOTIATORS WOULD UNILATERALLY IMPOSE THEIR TERMS. SMITH REPORTEDLY SAID THAT U.S. NEGOTIATORS ARE UNABLE TO SCHEDULE ANOTHER SESSION UNTIL NEXT YEAR, BECAUSE OF PRESS OF BUSINESS  
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AND THANKSGIVING VACATIONS.

2. CATEGORIES INVOLVED IN LAST-MINUTE DEMAND ARE THE PRESENT NUMBERS 218, 219, 221 AND PAT OF 224, ALL OF WHICH "SENSITIVE" ITEMS WITH EXCEPTION OF 218. ACCORDING TO SHAO, KOREAN MODEL FOR GROWTH IS ZERO FIRST YEAR, 1 PERCENT SECOND, AND 3.9 PERCENT IN THIRD, FOURTH AND FIFTH YEARS,

AND HE ASSUMED HONG KONG MODEL ESSENTIALLY SAME.

3. H.K. SHAO EMPHASIZED HOW DISTURBED HIS GOVERNMENT WAS OVER THIS. FIRST OF ALL, THE TAKE-IT-OR-LEAVE-IT NEGOTIATING TACTICS USED BY THE U.S. WERE DIFFICULT TO UNDERSTAND. HE ADDED THAT ACCEPTANCE OF THE U.S. TERMS IS NOT POSSIBLE IN SO SHORT A TIME AND EVEN IF QUICK AGREEMENT WERE POSSIBLE, TERMS WOULD BE SUBJECT SEVERE CRITICISM BY INDUSTRY AND PUBLIC, SINCE IT WOULD BE APPARENT THAT TAIWAN WAS BEING DISCRIMINATED AGAINST COMPARED WITH HONG KONG AND SOUTH KOREA.

4. I AM UNABLE TO EVALUATE THE VALIDITY OF SHAO'S COMMENTS. IN PRINCIPLE, I ASSUME THAT WASHINGTON WOULD AGREE THAT THERE IS NO BASIS FOR DISCRIMINATION, TREATMENT OF ROC, IF THIS IS IN FACT CONTEMPLATED. ALSO BELIEVE WE SHOULD BEAR IN MIND FAVORABLE ACTIONS BY ROC WITH REGARD TO US-TAIWAN TRADE RELATIONS, E.G., THE RECENT BUY AMERICAN MEASURES OF THE ROC GOVERNMENT, AND INDICATIONS OF FURTHER CONSTRUCTIVE STEPS ON THEIR PART. I BELIEVE ROC SHOULD BE OFFERED TERMS NO LESS FAVORABLE THAN THOSE GRANTED KOREA AND HONG KONG.

5. WOULD APPRECIATE DEPARTMENT'S COMMENTS AND GUIDANCE FOR FOLLOW-UP CONVERSATION WITH GROC.  
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## Message Attributes

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**Review Markings:**  
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